

FISCAL NOTE

SB 2702 – HB 3679

February 11, 2008

SUMMARY OF BILL: Requires a person to show evidence of compliance with the Financial Responsibility Law (FRL) and to possess a valid driver license in order to register a motor vehicle in the state. Requires insurers to notify the Department of Revenue (DOR) and the insured immediately of the cancellation or termination of a motor vehicle insurance policy where no replacement policy is issued that the vehicle no longer meets the requirements of the FRL and that the registration will automatically terminate in ten working days from the date of notice unless the requirements are met. Requires DOR to similarly notify individuals upon withdrawal of any cash deposit or bond that was used to satisfy the requirements of the FRL. Requires DOR to notify individuals of the termination of their vehicle's registration. Specifies that insurers not providing the required notification shall remain liable to the extent of the original policy for any accident.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$11,731,100
Increase State Expenditures - \$258,400/One-Time
\$1,484,000/Recurring

Decrease Local Revenue – Net Impact - \$20,562,000
Increase Local Expenditures* - Exceeds \$376,700

Assumptions:

- Titling and registration responsibilities have been transferred from the Department of Safety (DOS) to the Department of Revenue (DOR). Therefore, any responsibilities required of DOS in this bill are assumed to be carried out by the DOR.
- The issuance of driver licenses remains a primary responsibility of DOS.
- According to DOR, there were 5,269,782 registered vehicles in Tennessee at the time of response.
- According to information provided by the Comptroller in 2007, the uninsured motorist rate in Tennessee for 2005 was 21.0%.

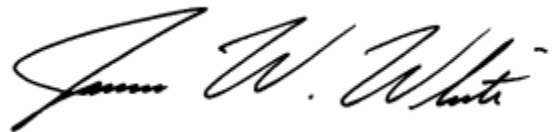
- 20% (1,053,956) of registered vehicles are driven by uninsured motorists.
- 70% (737,769) of registered vehicles driven by uninsured motorists will not be able to acquire insurance and will not be able to register vehicles, thus resulting in decreases of state and local government revenue derived from registration fees.
- The number of individuals driving with invalid driver licenses is unknown, but is reasonably estimated to remain constant at 26,349 based on 0.5% of valid motor vehicle registrations.
- According to DOR, the state portion of the registration fee is \$21.50 per vehicle registered.
- The decrease of state revenue attributable to reduced registration fees is estimated to be \$16,428,500 $[(737,769 + 26,349) \times \$21.50 = \$16,428,537]$ per year.
- According to DOR, the average county wheel tax is approximately \$27 per vehicle registered.
- The decrease of local government revenue attributable to reduced registrations and wheel tax collections is estimated to be \$20,632,200 $[(737,769 + 26,349) \times \$27 = \$20,631,186]$ per year.
- 30% (316,187) of uninsured motorists will be able to acquire appropriate levels of vehicle liability insurance and will be able to renew or maintain vehicle registrations.
- An increase in state revenue estimated to be \$2,000,000 derived from insurance premium taxes as approximately 316,187 individuals acquire liability insurance.
- 10% of the remaining uninsured motorists (73,777) will be cited for violations related to expired or invalid registrations. 75% (55,333) are expected to have driver licenses suspended or revoked as a result.
- Minimum \$50 fee for license reinstatement.
- The average fine for driving on an expired or invalid registration is estimated to be \$50 per violation.
- 50% will not pay fines or reinstatement fees due to indigence.
- The increase of state revenue derived from reinstatement fees is estimated to be \$1,383,300 $(55,333 \times \$50 \times 50\% = \$1,383,325)$ per year.
- Total violation revenue is estimated to be \$1,383,300 $(55,333 \times \$50 \times 50\% = \$1,383,325)$ per year.
- County clerks receive 5% of violation revenue.
- The increase to local government revenue attributable to fine revenue is estimated to be \$69,200 $(\$1,383,300 \times 5\% = \$69,165)$ per year.
- The net increase to state revenue attributable to fine revenue is estimated to be \$1,314,100 $(\$1,383,300 - \$69,200 \text{ local share} = \$1,314,100)$ per year.

- An increase to local government expenditures for prosecuting violations estimated to exceed \$276,700 per year statewide (55,333 cases x minimum of \$5 each = \$276,665).
- An increase to local government expenditures for additional costs to county clerks for processing registrations with proof of financial responsibility, mailing back registrations not properly submitted, and for verification of financial responsibility information. Such additional costs are estimated to exceed \$100,000 per year.
- According to DOR, and based on the department receiving approximately 527,000 notifications from insurance companies, 30 additional positions would be required to implement the provisions of this bill. The recurring increase to state expenditures for the 30 positions is estimated to be \$1,484,000 per year (salary, benefits, supplies, communications, etc.). One-time state expenditures associated with the additional positions is estimated to be \$246,800 (computers, software, office space, supplies, etc.).
- One-time state expenditures for computer enhancements and software modifications estimated to be \$11,600.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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